

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 SPC-03 AID-20 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 INT-08

GSA-02 CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07

OPIC-12 LAB-06 SIL-01 H-03 DRC-01 DODE-00 PA-04

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TAGS: EMIN ECON PFOR EGEN BL

SUBJ: CONVERSATION WITH BOLIVIAN MINISTER OF MINES LEMA

PATINO ON TIN PRICES, SOUTH AMERICAN PLACERS PROBLEM,
AND RECENT POLITICAL DEVELOPMENTS

1. DURING CONVERSATION DECEMBER 13 WITH RECENTLY REAPPOINTED
MINISTER OF MINES RAUL LEMA PATINO FOLLOWING SUBJECTS
DISCUSSED: (A) TIN PRICES AND GSA TIN DISPOSALS; (B) SOUTH
AMERICAN PLACERS PROBLEM; (C) RECENT POLITICAL DEVELOPMENTS
IN BOLIVIA.

2. TIN PRICES AND GSA TIN DISPOSALS: LEMA REPEATED POINTS
THAT HE HAD MADE PUBLIC BEFORE ABOUT THE ARTIFICIALLY
HIGH PRICES OF TIN IN THE WORLD MARKET, EMPHASIZING HIS
VIEW THAT CAUSES ARE SPECULATION, OVERSTOCKING, WILLIAMS
HARVEY PROBLEM, AND DEVALUATIONS OF THE US DOLLAR. AS
SUPPORT OF HIS POINTS, HE NOTED DRAMATIC DROP OF ABOUT 20
PERCENT IN LONDON TIN PRICE FROM DECEMBER 11 - DECEMBER 12,
EXPRESSED VIEW THAT TIN PRICES WILL CONTINUE TO PLUMMET
AND LEVEL OFF AT ABOUT THE 2.10 - 2.20 DOLLAR RANGE; SAID GSA
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SALES MAY HAVE SERVED TO ABSORB SOME OF THE SPECULATIVE

PRESSURE BUT CAN NOW ONLY SERVE TO EXACERBATE IMPENDING DROP; NOTED THAT SUBSTANTIAL FISCAL DEFICIT OF GOB FORCING MINISTRY OF FINANCE TO PRESS HARD EVERYWHERE FOR ADDITIONAL RESOURCES WHICH UNFORTUNATELY HAS TENDED TO INHIBIT EXPANSION IN MINING SECTOR; STATED COMIBOL AND PRIVATE MINING INTERESTS WITHOUT SUFFICIENT LIQUIDITY TO MEET PRESENT TAX BURDEN IMPOSED BY RECENT TAX MEASURES; CITED NEED FOR SOME FORM OF RELIEF FROM FISCAL PROBLEM SO THAT MINING SECTOR, WHEN FREED OF EXCESSIVE TAX BURDEN, COULD EXPAND TO TAKE ADVANTAGE OF PRESENT OPPORTUNITIES AND EARN INCREASED FOREIGN EXCHANGE FOR BENEFIT OF COUNTRY.

3. I HAD A CHANCE TO REVIEW ELEMENTS OF GSA TIN DISPOSAL PROGRAM BASED ON STATE 228338. I ASSUMED THAT THE MINISTER HAD NOT BEEN GIVEN DETAILED BRIEFING SINCE HIS PREDECESSOR HAD DEPARTED THE MINISTRY AND HE HAD RESUMED IT DURING THE LATTER PART OF NOVEMBER WHEN COMMUNICATIONS HAD BEEN EXCHANGED BETWEEN LA PAZ AND THE BOLIVIAN EMBASSY IN WASHINGTON. I STRESSED THAT THE GSA PRICES WILL FOLLOW BEHIND MARKET MOVEMENT, EITHER UPWARD OR DOWNWARD. I ALSO POINTED TO THE STATEMENT IN THE GSA RELEASE SENT TO US IN STATE 237567 THAT WHEN DEMAND WEAKENS, GSA WOULD ACT RAPIDLY TO MODERATE THE QUANTITIES TO BE SOLD. MINISTER ACKNOWLEDGED THAT THESE PROCEDURES WOULD OBVIOUSLY HAVE LESS IMPACT ON TIN PRICES.

4. SOUTH AMERICAN PLACERS PROBLEM: REGARDING THE SOUTH AMERICAN PLACERS PROBLEM, THE MINISTER SAID HE WAS DISPOSED TO HAVE WIDERANGING DISCUSSIONS WITH REPRESENTATIVES OF SAPI TO INCLUDE FAILURE TO EXPLOIT 11,000 ACRES OF EXISTING CONCESSION, LONGSTANDING TAX PROBLEM, NEW AREAS FOR SAPI OPERATION AND ANY THOUGHTS FOR EXPLOITATION OF TAILINGS. SAID SAPI SHOULD COME FORWARD WITH CONCRETE IDEAS AND MINISTRY WOULD BE PREPARED TO DISCUSS THEM AS ONE SINGLE PACKAGE. HOWEVER, MINISTER WAS VERY STRONG IN STATING THAT AREAS PROVIDED COMPANIES FOR EXPLORATION AND EXPLOITATION SHOULD BE WORKED OR GIVEN BACK TO THE STATE. NOTED THAT SAPI'S AREA SERVED BY ROAD AND VERY FEW MINING SITES IN COUNTRY HAVE HAD THIS ADVANTAGE. HE EXPRESSED HIS VIEW THAT SAPI DELIBERATELY NOT COMING FORWARD WITH ANY PLANS FOR UTILIZATION OF THE 11,000 ACRES WHICH HAVE NOT BEEN LIMITED OFFICIAL USE

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WORKED AND THAT ANY DISCUSSION TO BE HELD WITH SAPI HAS TO BE BASED ON THE UNDERSTANDING THAT THE GOVERNMENT WILL NOT PROVIDE LANDS FOR PRIVATE COMPANIES WHICH DO NOT WORK THEM. HE EXPRESSED HIS PREOCCUPATION THAT SAPI MIGHT BE DELIBERATELY HOLDING BACK FROM PRESENTING ANY CONCRETE PROPOSALS TO GOB IN ACCORDANCE WITH JULY 1973 DECREE SO AS TO BE ABLE TO ELICIT PRESSURE FROM THE USG ON THE GROUNDS THAT SOMETHING HAS BEEN TAKEN FROM THEM. HE REPEATED THAT THE

MINISTRY'S DOORS ARE WIDE OPEN TO SAPI FOR A BONA FIDE DISCUSSION OF ALL ISSUES IN ONE SINGLE NEGOTIATION. HE STATED THAT THE DECREE IF OPERATIVE IN JANUARY ON THE TAKING OF THE UNEXPLOITED LAND WILL NOT AFFECT IN ANY WAY SAPI'S PRESENT OPERATIONS, ITS DREDGE, AND THE 700 ACRES IT IS NOW WORKING.

5. DEPARTMENT MAY WISH PASS SUBSTANCE MINISTER'S POINTS ON SOUTH AMERICAN PLACERS TO SAPI PRESIDENT O'NEIL. WE HERE WILL BRIEF SAPI REPRESENTATIVE JAUREGUI.

6. RECENT POLITICAL DEVELOPMENTS: MINISTER AT HIS OWN INITIATIVE REVIEWED LOCAL POLITICAL DEVELOPMENTS WITH PARTICULAR REFERENCE TO THE WITHDRAWAL OF MNR FROM THE GOVERNMENT AT THE DECISION OF DR. VICTOR PAZ. LEMA INDICATED THAT PAZ'S DECISION TAKEN UNILATERALLY AND WITH THE ADVICE OF ONLY A HANDFUL OF OLDER MEMBERS OF MNR. SAID HE FELT THE MAJORITY IN MNR AND PARTICULARLY THE YOUNGER MEMBERS OPPOSED THIS DECISION AND WOULD RATIFY IN THE JANUARY CONVENTION THE EXISTING PARTICIPATION OF MNR MEMBERS SUCH AS HIMSELF IN THE GOVERNMENT. IT IS HIS VIEW THAT MNR PARTICIPATION IN THE GOVERNMENT IS A FACTOR FOR STABILITY WHICH THE COUNTRY SO DESPERATELY NEEDS TO CONTINUE. THE ALTERNATIVE-- FULL MNR WITHDRAWAL FROM THE GOB--WOULD HAVE INEVITABLE LED TO A FULL MILITARY CABINET AND THE JOINING TOGETHER OF THE MNR WITH A WIDE VARIETY OF EXTREMIST AND LEFTIST GROUPS. LEMA SAID THAT THE JANUARY CONVENTION WOULD, AS ONE IMPORTANT PIECE OF BUSINESS, RECONFIRM DR. VICTOR PAZ AS THE LEADER OF MNR, AND THIS WOULD SO APPEAL TO HIS EGO THAT HE WOULD ACCEPT THE OTHER DECISION OF THE CONVENTION TO CONTINUE THE PARTICIPATION IN THE GOVERNMENT.
STEDMAN

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